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CENTRAL INTELLIGENCE AGENCY
WASHINGTON, D.C. 20505

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14 April 1975

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MEMORANDUM FOR: Mr. Stephen Goodman
Vice President for
Policy Analysis
Export-Import Bank
811 N. Vermont Avenue, N.W.
Washington, D.C. 20571

SUBJECT : Economic Summaries on Selected African Countries

1. Attached are brief economic summaries on Gabon, Ghana, Ivory Coast, Nigeria and Zaire in response to your request [redacted] 25X1

2. If you have further questions please contact [redacted] this office. They can be rea[redacted] 25X1 25X1 25X1

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Attachments:
As stated above

[redacted] 25X1

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Gabon

Exploitation of its abundant natural resources has made Gabon a rich country by African standards. In addition to timber -- the traditional backbone of the economy -- Gabon exports petroleum, manganese and uranium. Vast iron ore deposits are currently being developed. With fewer than 600,000 people, Gabon has a per capita income of $900, the highest in Black Africa.

Increased production and rising prices have made petroleum Gabon's most important economic asset. Production in 1974 averaged 190,000 b/d and produced revenues of $425 million, compared to 150,000 b/d and $83 million in 1973. Gabon became an associate member of OPEC in 1973 and has since brought its prices into line with those of OPEC.

Gabon's prosperity has been based on foreign investment in exploiting its natural resources. It has a stable, pragmatic government which has made economic development its foremost goal and encourages additional investment.

Returns from petroleum and other resources are being plowed into development. Seventy percent of the

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1975 budget of $630 million is slated for development projects of which the largest is the Trans-Gabon Railway. It will provide an outlet to Libreville and the sea for iron ore, uranium, and manganese exports as well as provide access to the great timber reserves in the center of the country. Other current development projects include dam building, construction of roads and bridges and port improvement.

Gabon is dependent on imports for capital goods, raw materials and consumer goods. The most important imports are machinery and transport equipment, construction materials and manufactured products. Imports of foodstuffs have grown rapidly in recent years, reflecting the stagnation of domestic agriculture. Nevertheless, exports of minerals and timber have more than financed growing import demand and Gabonese financial reserves have increased regularly since the late 1960's. Reserves in late 1974 were about $50 million. France, the former metropole, is by far both the largest buyer of Gabon's exports and its largest supplier of imports.

Gabon's primary economic problem is rising inflation fueled by general world inflation and the booming domestic economy. Prices increased by an estimated 15% in 1973 and probably by a larger amount in 1974.

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Ghana

Ghana is the world's foremost producer of cocoa which continues to be the mainstay of the economy. It is also an important producer of timber and has large bauxite reserves. At independence in 1957 Ghana's economic prospects were considered unusually bright. It had a large number of trained people, a relatively high literacy rate, an extensive road network and an adequate accumulation of foreign exchange reserves. Ghana's economic growth has not come up to expectations, however, partly due to a lack of sustained growth in cocoa production and partly due to reckless economic policies that left the country saddled with heavy debts.

As the first colony in tropical Africa to achieve independence, Ghana commanded headlines in the early 1960's for its attempts to develop rapidly into an industrial state. During his 9-year rule, Kwame Nkrumah gave Ghana a strong infrastructure and industrial base but at the cost of depleted reserves and an enormous foreign debt. The foreign debt reached $800 million, and by the mid-1960's the country was in serious economic trouble, from which it has not fully recovered.

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The current government headed by Colonel I. K. Acheampong called for debt relief shortly after it seized power in January 1972. It unilaterally suspended some of the debt payment agreements concluded by previous Ghanaian governments and accepted the remainder only on Ghana's terms. In 1974, however, new agreements to reschedule the bulk of the debt were concluded, encouraging creditors to resume the badly needed aid programs which they suspended two years earlier.

Like many other LDC's, Ghana is currently suffering from balance of payments problems brought on largely by high petroleum import costs. Oil accounts for about one-third of Ghana's import bill. To cope with the problem, Ghana has instituted severe import restrictions. In late 1974 unused portions of all import licenses were cut in half for the remainder of the year. So far, no licenses have been issued for 1975. This has brought severe economic disruptions, including industrial shut-downs due to a lack of raw materials and components. Increased fuel costs and domestic shortages have also aggravated Ghanaian inflation which is now more than 20% annually.

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Ivory Coast

The Ivory Coast's rapid rate of economic growth since independence in 1960 -- more than 10% annually in current prices -- stands out among African states. The gross domestic product now exceeds $2 billion annually. The economy's excellent performance is a tribute to the policies of President Houphouet-Boigny, the country's 69 year old founding father. Houphouet has followed a course of moderation, designed to ease the transition from colonial status and promote healthy growth. His most important policies have included retention of French officials and entrepreneurs, encouragement of private foreign investment, the maximization of domestic saving by restraining wages, and a conservative investment policy. That economic growth has continued at a high rate attests both to the success of these policies and to substantial good luck -- particularly high world demand for the robusta variety of coffee grown in Ivory Coast and the deterioration of competitive exports from neighboring Ghana.

Exports of coffee, cocoa, and timber have led the economic expansion. Ivory Coast ranks third in world

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coffee and cocoa production and is first in Africa in timber exports. Together, these three commodities yield 75% of export revenues. The government is encouraging, however, the expansion of domestic processing industries to increase the value of exports.

Large scale labor migration from neighboring countries has contributed to Ivory Coast's rapid growth. The influx of foreign labor has helped hold down wages, in particular on Ivorian farms where most work. The foreign segment, over 95% African, has grown to equal almost 25% of the country's total population.

Ivory Coast normally earns a healthy trade surplus -- about $130 million in 1973 -- but this is more than offset by outflows of investment income and private transfers. Repatriated earnings by foreign labor and corporations, for example, totaled about $160 million in 1973. Weakening international demand for coffee and cocoa, high prices for petroleum imports, and growing net outflows for services and transfers dampen prospects for the balance of payments in 1975.

Substantial unrest among Ivorians who believe that they are not getting a fair share of prosperity is a growing problem. The large French community constitutes

an envied elite who enjoy a standard of living far beyond the means of the average Ivorian. The cheap foreign African labor constitutes a hard-working minority towards whom many Ivorians, especially the unemployed, tend to direct their frustrations. Increasing price inflation -- as high as 15% in 1974 -- spurred by rising costs for imports exacerbates the discontent.

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Nigeria

With a GDP of more than $20 billion, Nigeria is the economic giant of black Africa. In addition to being the 6th largest petroleum producer in the world, Nigeria is an important producer of cocoa, rubber, palm products and peanuts. Its population of 80 million -- the largest in Africa -- provides a substantial domestic market for local industry. Despite its potential, however, Nigeria remains underdeveloped with most areas of the country deficient in social services even by LDC standards.

Petroleum production dominates the Nigerian economy, providing the bulk of both export receipts and government revenues. Production of 2.3 million b/d in 1974 brought the government revenues of $9 billion. The boom in petroleum earnings has enabled Nigeria to increase imports at an average annual rate of 46% since 1970, while accumulating substantial reserves. Foreign exchange reserves totaled almost $6 billion in January.

Nigeria's proved oil reserves amount to about 20 billion barrels, representing 25 years of production at the current rate. Potential reserves are believed to be much larger. In addition, long-term prospects

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are favorable for export of natural gas, reserves of which are estimated at 40 trillion cubic feet.

Agriculture, the traditional mainstay of the economy, continues to employ more than half of the population. Failure of farmers to adopt modern methods and the effects of the Sahelian drought in the northern part of the country, however, have caused production of export crops to stagnate. In addition, after being self-sufficient for years, the country is relying on growing food imports. Output may improve, however, as the government implements plans to rejuvenate agriculture through price and tax incentives, agricultural credit, extension and marketing services and direct government participation.

Its booming oil industry gives Nigeria a considerable advantage over other African countries in planning for sustained growth. Nigeria's Third National Development Plan (1975-1980) launched last month calls for investments of $48.6 billion of which $32.4 billion is to come from the public sector. The expenditures appear to be in excess of implementation capabilities which are limited by the scarcity of managerial and technical manpower. Public sector investment in FY 1975, for example, was probably less than $2.5 billion.

Almost half of public sector investment is slated for industry and transport. Major planned projects include two oil refineries, two liquified natural gas plants, a petro-chemical complex and an iron and steel plant. Other priority investment areas are petroleum, agriculture, education, housing, communications, power and health care.

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Zaire

Zaire, the second largest country in Africa, is richly endowed with largely untapped natural resources. It ranks first among non-Communist countries in the production of industrial diamonds and cobalt and is the world's fourth largest exporter of copper. It has the largest hydroelectric potential of any country in the world. A wide range of climates permits the production of a variety of agricultural crops, and the tropical rainforests harbor the most extensive stands of virgin timber in Africa. In spite of these assets, Zaire's economy remains unbalanced, income distribution is inequitable and the domestic market is too small to support large industries.

Zaire is currently suffering a severe foreign exchange crunch brought on by the sharp drop in copper exports and prices and improvident economic policies. Traditionally, Zaire depends on copper for three-fourths of its foreign exchange earnings. The sharp drop in prices, coupled with spiraling import demand has left Kinshasa unable to meet foreign exchange obligations and in the short term affects its ability to import even the most basic consumer and

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industrial goods. The government is currently attempting to trim nonessential imports and is angling for Arab loans. Meanwhile, some suppliers have diverted export shipments already on the way to Zaire.

Since independence in 1960, Zaire's economy alternately has experienced boom or bust, depending on the price of copper. In the past, it has been able to wait out price slumps with the knowledge that copper prices eventually would rise. Now, however, even the most optimistic projections of copper prices over the next few years do not forecast a rise sufficient to meet the present level of Zaire's expenditures.

In spite of the crunch, foreign exchange expenditures are at close to record levels. So far this year expenditures are averaging $150 million per month while receipts are about $100 million per month. Import demand has been fanned by spiraling government budgets and nationalization policies that have spawned a large number of state enterprises supported by government loans. In 1974 all large production enterprises, distribution services, and construction firms -- except those covered by the 1969 investment code -- were nationalized. Lack of administrative ability and business experience by most of the new Zairian managers and growing government regulations are adding to the economic disruption.

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